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SPECIAL **WAL-MART/MERCHANDISING** REPORT

A Look at Peak and Valley Price Points

Wal-Mart traditionally features higher-priced name brand items in its "action alleys," which help keep turns high and enables the chain to capitalize on opportunistic buys. The discounter often augments its "power" selections with lower-priced commodities like paper products and motor oil, using them as aisle lead-ins. These peak and valley price points were seen in a St. Louis store race track this summer. Litton's Quick 'n' Easy microwave oven, featured for $258, was displayed directly across from a platform of plastic kitchen dish caddies, for $2 each. In another aisle in the same store, Marathon treadmills, for $446.93, were merchandised back-to-back with Ruffies tall kitchen garbage bags.

"Gimme an 'S'...
...gimme an 'A'...
...gimme an 'M'..."

Three cheers for Sam Walton and his singular success with Wal-Mart stores.

BASF

Chrome Audio and Video Tapes. The Quality Never Fades.

Good Times

(Continued from page 41)

Zayre are in the 10% area. They believe they can earn higher return for investors by reinvesting earnings rather than by distributing them to their investors. K mart pays out three times that amount as it searches for a vehicle to substantially improve profitability.

How do investors view the companies?

Wal-Mart commands a 25 price/earnings multiple; usually high for a retailer.

Zayre's multiple increased handsomely from 10 in April 1984 to 15 in April 1985 as investors developed greater confidence in management's ability to demonstrate outstanding performance. At this writing, Zayre's PE ratio had continued to 17.

K mart's ratio has moved from eight in April 1984 to nine in April 1985 and 10 in October 1985.

First Three Quarters Bring Mixed Results

(Continued from page 4)

■ **T.G. & Y.** reported third-quarter sales of $423.9 million compared to $496.1 million, a decrease of 14.6% for the discount chain.

T.G. & Y. had an operating loss for the quarter of $8.9 million, compared to a loss of $1.2 million for the period in 1984.

Sales and earnings were generated by 729 stores in the just-completed quarter and 756 stores last year.

■ The **Zayre** Stores division of Zayre Corp. reported sales for the third quarter ended Oct. 26, rose 20.1% to $635.2 million, up from $528.9 million for the same period last year. Operating income increased 9.8% to $31.5 million, up from $28.7 million for the third quarter of 1984.

■ **Venture** reported a 13% increase in third-quarter sales to $244.3 million from $215.4 million last year. For the 39 weeks, sales were $699.3 million, a 15.1% rise from $607.7 million for the comparable period last year.

■ **Associated Dry Goods** reported a 7.8% increase in sales for subsidiaries **Caldor** and **Loehman's** for the third quarter. Sales of $396.2 million were reported compared to $367.6 million in 1984.

Year-to-date sales to the two chains were up 8.9% to $1.14 billion from $1.04 billion during the comparable period last year. These sales were generated by 106 Caldor and 79 Loehman's stores this year, compared to 101 Caldor and 73 Loehman's last year.

Pickwick, Reader's Market To Limit Further Expansion

(Continued from page 5)

margins—can we make it on that kind of deep discounting?"

Coupled with that, Hoffman acknowledges the strain new strategies by his own Waldenbooks and by B. Dalton might put upon full discount bookstores. "What will happen to discounting if the major chains are getting more involved in discounting?" he asked.

The 932-store Waldenbooks, which offers 25% discounts on best sellers chainwide, increased that discount to 35% in 13 competitive markets, including Los Angeles, New York, Dallas, Houston and some Denver stores, Hoffman said.

The 746-store B. Dalton chain recently began discounting books appearing on *The New York Times* hardcover best seller list by 25% to 35% off the cover price. It is broadening its bargain-book offering, has scheduled nine nationally advertised book sales next year and is testing 25% discounts on up to two dozen backlist titles. In the past, B. Dalton had experimented with discounts on *The Times* best sellers in markets where it went head to head with Crown Books.

While intensified discounting programs at the two full-price chains have given Pickwick reason to pause, Ford said the chain is not considering any changes in format. "I don't think we have to. Our discounts are as deep as they can be," he said. "We still exceed [the full-pricers] in all discounts."

The chain discounts the top 10 fiction and nonfiction *The Times* best sellers, both hardcover and paperback, by 30% to 40%. All other selections are discounted by at least 10%.

38-store count.

Hoffman said he, too, would use the early part of 1986 to evaluate RM's format, although he could not pinpoint which areas needed adjustment. Regardless of eventual changes, though, RM would remain a discounter. "It may be a different type of formula, but we would have to stay with some kind of deep discounting," he said.

Even after the RM stores were launched a year ago, in former Waldenbooks locations, management continued to work on forging a strong identity for the chain. Tags were added to each individual book with its discounted price to emphasize savings, a feature adopted from the competition. Stackouts were removed from the selling floor, and remainders were stocked on walls instead of on stack tables.

Unlike its strictly self-service competition, RM offered special services, including catalog back orders, gift certificates and a liberal return policy. "I thought we had done a really good job in design and merchandise mix," Hoffman said.

Correction

Due to a production error, the chart listing results for seven top membership warehouse clubs was in error. The correction version appears here in its entirety.

Seven Top Warehouse Clubs Compared

Company	Sales last completed fiscal year (millions)	Income last completed fiscal year (millions)	Projected Store Count as of Dec. 31, 1985	Projected Openings 1986
Price Club	$1,834.0	$46.0	25	10
Costco	366.4	(5.7)	21	12
Sam's Wholesale Club	225.0[a]	8.5[b]	23	25
PACE	76.1	0.6	16	15
Wholesale Club	46.1	(1.6)	5	5
Warehouse Club[c]	26.0	(1.3)	7	9
BJ's Wholesale Club	25.0[a]	N.A.	8	10

[a]*DSN* estimate. [b]Estimated operating income. [c]Fiscal year ended Sept. 30, 1984.
( )—Loss. N.A.—Not available.

Source: Company financial reports

Zayre Signals Diversification

(Continued from page 3)

The HomeClub acquisition will be an inexpensive stock deal that won't impact upon Zayre's status as a cash-rich retailer that also has a large pool of unissued shares available to fund its diversification.

In its last completed fiscal year, Zayre had $30.3 million in cash, along with $40 million in marketable securities. It also had about 20 million unissued shares.

(In April, Zayre shared some of this wealth with its shareholders when it declared a four-for-three stock split and boosted its quarterly cash dividend from 10¢ per share to 12¢ a share.)

In a presentation to the New York Society of Security Analysts two months ago, Segall said that Zayre's sales by calendar 1989 should exceed $8 billion through the growth of its current operations. His projection didn't include diversifications such as the HomeClub acquisition.

When HomeClub is acquired next month, Zayre will gain its second membership warehouse-type chain. BJ's is a more typical food and general merchandise membership warehouse, already targeted for rapid expansion from its current eight-store base during the next few years.

Zayre will retain HomeClub's management and its Fullerton, Calif., base of operation. The company's top executives include its two founders, Robert J. McNulty, chairman, president and chief executive officer, and George J. Handgis, executive vice president merchandising. Almost all the other key officers have worked for other home center chains or for FedMart, the now defunct West Coast discounter.

In HomeClub, Zayre will acquire a specialty membership warehouse chain whose short history of operations has shown only limited profitability. Its future success was dependent upon its raising funds to fuel expansion, particularly into key West Coast markets that don't currently have any home centers.

Arthur F. Loewy, Zayre's executive vice president, finances, said, "once HomeClub is a part of Zayre, the company will be funded for its capital needs just like any other Zayre operation."

Zayre's acquisition follows HomeClub's earlier efforts to fuel its growth through a stock offering in October. In that partially successful effort, HomeClub raised $16.7 million by selling two million shares at $9 each. That price, however, was markedly lower than the $14 to $16 per share anticipated when the preliminary prospectus was issued in August.

HomeClub executives earlier this summer had expected that as much as $30 million would be raised through a public offering. Private placements and the company's own internally generated funds prior to the public offering had provided about $34.2 million in funds.

The Zayre acquisition is due to be made at the $14-plus price HomeClub had originally hoped its stock would go for. "Obviously, our evaluation is that they are worth more than the initial offering prices. We think they are worth $14.25," said Loewy.

When HomeClub went public, security analysts attributed the low price of its initial stock offerings to the poor sales and earnings performance of a number of other home center chains. Additionally, HomeClub's core California market had recently been invaded by a few other home centers, including industry's leader, Home Depot.

Following the initial offering, HomeClub's stock showed a moderate increase in its price on the over-the-counter market, and when the proposed acquisition by Zayre was announced, it shot up to the $13 range.

HomeClub, in its first full year of operation ended Jan. 27, has $68.2 million in sales from six stores, along with a net loss of $1.8 million. (Its initial six-months business from two stores showed $10 million in sales and a $547,000 net loss.)

In the six months ended July 28, when there were nine stores, volume hit $90.5 million, a 313% jump from $21.9 million in the same period last year. Net income amounted to $1.7 million compared to a $727,000 loss.

The HomeClub has opened nine more warehouses since July and projects 15 to 18 stores in 1986.

The company's half-year performance, including its first profits, were due to the greater number of warehouses and the resulting higher sales which resulted in greater operational efficiencies, according to the final prospectus.

Gross margins in the six months dropped slightly, to 20.9% from 21.9%, due to the cost of opening more warehouses and "the company's decision to reduce prices as part of its strategy to maintain and build market share," the prospectus stated.

Expenses went down markedly during the six months. Selling and warehouse operation costs dropped from 18.5% to 13.8%, while general and administrative expenses declined from 3.7% to 3.1%.

T.G. & Y.

(Continued from page 3)

vestment firm Donaldson, Lufkin & Jenrette.

HMI includes 739 T.G. & Y. stores, 176 Von's supermarkets, more than 1,600 Ben Franklin franchised stores and nearly 1,100 franchised Coast to Coast stores. The division last year had sales of $5.4 billion coming from Von's and about $2.2 billion from T.G. & Y. Its net income was $49.6 billion.

HomeClub Acquisition Formality

(Continued from page 3)

house idea calls for high volume stores offering sharp prices on a limited mix of fast-turning low-margin items.

Like other membership warehouses, the HomeClub has different fees for different types of members: The basic fee for individuals and businesses is $15 per year, with members' spouses paying $5. Fees for contractors and designated groups like credit unions, Government employees and other associations is $10.

Unlike other membership warehouses, however, the HomeClub is open to the general public, with nonmembers paying 5% above the wholesale price charged members.

Members accounted for about 80% of HomeClub's volume, according to the prospectus issued when the company went public two months ago.

The public offering was seen as the most productive way to obtain the funds for the company's continued expansion: Three warehouses projected for the last quarter of the year (bringing store count to 18) and another 15 to 18 units projected for 1986, would require an overall expenditure of $37.8 million to $46.1 million.

The $16.7 million raised from the public offering, plus projected internally generated funds, resulted in the company "anticipat[ing] that it will require approximately [an additional] $5 million to $15 million . . . to finance the working capital and pre-opening costs of its full expansion program prior to the end of 1986," the prospectus stated.

The HomeClub spends about $2.1 million in preopening warehouse costs and $1.2 million of its own funds to finance a store's initial $3 million inventory.

Zayre's acquisition will readily solve HomeClub's needs for funds to grow.

That growth, so far, will be "focused on West Coast and Southwest states where the HomeClub already has stores," said Arthur F. Loewy, Zayre's executive vice president, finance.

SCOA Buyout Group Plans Hills Expansion

(Continued from page 3)

ments the new SCOA would make. And, although the new SCOA would be paying 12% in dividends, it would be at least four years before these payments would be in cash; disbursement up to that time would only be in additional shares. Also, holders of these shares would have no voting rights and would not obtain equity in the company.

Several groups have expressed dissatisfaction with the proposed buyout. Five separate shareholder suits filed in Delaware courts have been consolidated into a class action suit.

Lincoln Capital Management Co., a Chicago investment consultant for pension funds, which holds 6.5% of SCOA's shares, has filed a 13D statement with the Securities and Exchange Commission. While a 13D is nothing more than a notification of ownership the SEC requires from everybody who owns more than 5% of a company's stock, it does put SCOA executives on notice that Lincoln intends to hold onto its shares and fight the proposed buyout.

Lincoln vp Bill Goldsborough said that his basic main objection is that "the price is too low compared to other recent buyouts in similar organizations. The average premium in leveraged buyouts is 35%. SCOA's offer is less than 10%," he said.

Answers: 1a, 2b, 3c, 4b, 5b, 6b, 7b, 8b, 9a, 10b.

C5150-3

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Wal-Mart Pairing Sam's, dot

BENTONVILLE, Ark. — Wal-Mart will pair up its dot deep discount drug store concept with its Sam's Wholesale Club format through side-by-side outlets in Kansas City and St. Louis this year, according to Jack Shewmaker, vice chairman and cfo at Wal-Mart.

Shewmaker also confirmed earlier unofficial reports that the company will similarly match Sam's with its Wal-Mart discount store this year. In the spring, the two will open as neighbors in the New Orleans market. At press-time, Wal-Mart was looking at potential sites for adjacent stores in Austin and Dallas, Tex., for 1986 openings.

The dot store concept is, in effect, making the transition from an experimental chain to a full-fledged division this year, said Shewmaker.

The company "has an appetite for six to eight more" dot stores, he said. The additional stores will be in Kansas City and Des Moines, where two existing dots operate, or in St. Louis, where a Sam's/dot combination is slated to open.

By locating the deep dis-

(Continued on page 54)

Best to Better 38 Showrooms In Step Toward Assimilation

By BETH A. SEXER

NEW YORK — Best Products is planning to completely renovate 24 showrooms and partially redo 14 others this year.

The remodeling brings the cataloger a step closer to the complete assimilation of the six former Modern Merchandising chains it acquired in 1982. Twenty of the 24 showrooms slated for complete overhauls and all 14 of the partial remakes will be either La Belle's, Jafco, Dolgin's and/or Great Western units. When these showrooms are updated, their names will be changed to Best.

Two other Modern Merchandising chains, Rogers Distributing and Miller Sales, were given the Best logo last year.

President Robert E. R. Huntley told a recent meeting of security analysts that the project is expected to cost approximately $30 million.

In addition to the remodelings, the cataloger has announced plans to open five Best showrooms in metro New York and two in upstate New York in the Greater Buffalo Area this year, marking its debut in these markets (see *DSN*, Nov. 11, 1985, p. 1).

Last year, Best opened nine showrooms.

The cataloger is also planning to revamp all its showroom warehouses this year. This follows the conversion of its different MIS-DP (management information systems-data processing) programs in its various showroom chains to a single unified Best system late last year.

The remodeling of the 38 showrooms this year is part of Best's two-and-a-half-year plan to refurbish 107 stores through the end of 1987 at a cost of approximately $100 million.

This year's project, though, is a change in strategy for Best, which renovated 22 stores (including two La

(Continued on page 54)

Best Products' Renovation Program

	1985	1986
Best units	20	4
Former Modern Merchandising units	2	34
Total	22	38

Source: Best Products

CE Competition Heats Up

LAS VEGAS, Nev. — The consumer electronics retailing war has finally broken out on all fronts nationwide.

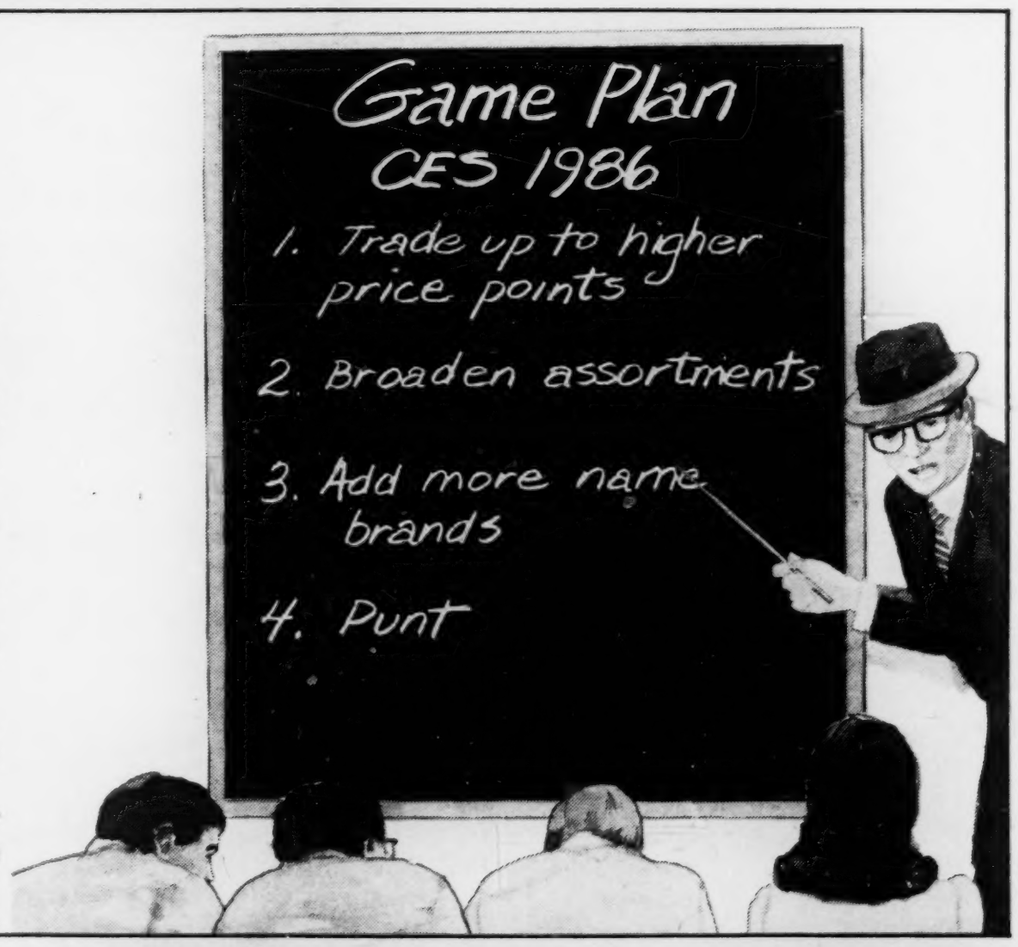
CE goliaths such as Circuit City, The Federated Group and Highland (using their respective superstores as missiles) are waging head-to-head attacks in major markets across the country, trying to establish new market beachheads while holding on to their own home turfs.

Discounters, for their part, are sure to be caught in the crossfire. In addition to the more traditional in-fighting among themselves, discounters are now facing an onslaught of superstores as well as CE chain expansion, threatening to deplete their already shrinking market share.

Many discount chains have already begun to mobilize and reposition against the invasion by: moving to more sophisticated equipment, broader overall assortments and flashier presentations.

Most everyone agrees 1986 will be a year of all-out, cutthroat confrontations, and battle plans are already being rolled out.

Coverage of that battle, and of issues and products for the winter Consumer Electronics Show, begins on page 25.



Target Testing Scanning

MINNEAPOLIS — Target has begun testing checkout lane scanning in four stores in the San Antonio, Tex., market, with a complete evaluation of the program scheduled within the next six months.

Kevin Lonergan, director of store operations for the chain, said the test was approved by Target's top executives about nine months ago, and was up and running in the four San Antonio stores within five months.

Slot scanners are being used in three of the stores, while laser guns are being tested in the fourth.

Target is only the latest of several leading retailers to test or commit to full-fledged POS scanning programs. K mart has said that all its stores will be on line with scanning by 1989; Wal-Mart has an ongoing program of converting older stores to scanning while opening up new units with the technol-

(Continued on page 54)

Expanded Soft Lines

0024037C DS *
MS JEANNE LONG *
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BETHESDA MD 20814 *

IN BRIEF

■ W. R. Grace & Co. announced plans to sell off its entire retail group, including the already publicly traded Herman's Sporting Goods, in which Grace still retains a 54% interest. Grace said it will sell off its specialty retailing division to help finance the purchase of 26% of its shares held by the Flick Group of West Germany.

FOCUS ON: ELECTRONIC RETAILING

Service Add-ons Seen Attracting More Customers

Harsh reality is forcing the handful of electronic retailers now operating in the U.S. to widely diversify the menu of shopper services they offer consumers.

Marketing plans that once described the electronic firms solely as outlets for discounted general merchandise are being reformulated to give the companies the broad consumer base they need to become true mass merchandisers.

The trend to providing an assortment of services along with merchandise (as well as the industry's youth—some companies have less than a full year of nationwide operation) leaves unanswered the question of whether providing goods alone in competition with traditional retailers would have been enough to sustain these firms' long-term growth.

In enhancing their offerings, electronic retailers are most often adding financial services to attract customers. Travel booking, real estate listings, insurance and information retrieval (providing annual reports of public companies) are also being added. In fact, any consumer service that can be delivered via computer is a likely addition.

With these moves, electronic retailers are following the marketing path laid out by the national leading general merchandise retailers, Sears and K mart.

Sears has diversified into insurance, real estate, securities trading and financial services. Its latest move was the launch of the Discovery credit card. K mart has opened insurance and financial service centers in a growing number of stores to give consumers more reasons to shop the discounter.

The electronic marketers' specific expansion of services reflects the origins and merchandising background of the four major companies in the field. These four firms also can be clearly separated into two distinct types of operations.

Comp-U-Card, at $28.7 million the leading electronic retailer, and its smaller, unprofitable rival, Computerized Buying Network, with just $5.3 million in revenues, started out as telephone-accessed buying services. CUC is now also reachable by home computer.

Viewtron and The Electronic Mall were launched in 1985 as nationwide services for computer owners to buy general merchandise and consumer services from a broad spectrum of companies. Companies featured in the system—manufacturers, retailers, airlines, banks and brokerage houses—all pay to be listed.

The reason for electronic retailers' marketing diversification was voiced by Walter Forbes, chairman of Comp-U-Card, which is the most active in moving into new services. When the company recently acquired Financial Institution Services Inc. (FISI), he declared:

"This merger represents a unique opportunity for us to accelerate our membership growth. The FISI sales force and their client relationships will give us the marketing distribution channel necessary to expand our universe of potential members. Furthermore, their track record and expertise in the travel area will help us develop the operations of our travel club more quickly than anticipated."

A slowing in the growth of the home computer field didn't faze Sarah Ordover, The Electronic Mall's director of marketing. She noted there were an estimated 13.5 million homes with personal computers. That number is expected to reach 31 million by 1990.

"Our biggest challenge as direct marketers is that faced by all early technology pioneers—to create applications that will stir the consumer's imagination," she recently told the Direct Marketing Club of New York. "Future prospects are excellent."

Comp-U-Card is the electronic retailer most actively working to enhance its assortment of consumer services. CUC, with more than two million members, grained about four million potential members through its FISI acquisition. It also launched a travel club and developed the HomeCard as a joint marketing program with Household Finance Corp.

HomeCard, in fact, illustrates the broad range of consumer services an electronic marketer can get involved in.

HomeCard offers Comp-U-Card's shopping service, a bank credit card and such homeowner benefits as pest control, home security, lawn care, real estate listings and tax services provided by leading firms like Termini, ADT, Lawn Doctor, ERA and H & R Block.

For the Computerized Buying Network, which has revamped its market-

(Continued on page 54)

Ames Targets D.C. Area For Murphy's Remodeling

ROCKY HILL, Conn. — Ames has targeted the Baltimore-Washington, D.C. market to begin its Murphy's Mart remodeling program this month, according to Ames chairman Herb Gilman.

Gilman said the market was chosen because of the concentration of both Ames and Murphy's stores in the area. As the Murphy's stores are converted into Ames units, advertising will become more efficient, said Gilman.

The combined sales for Ames and Murphy's during the 43-week period ended Nov. 23, was $1.1 billion, up 77% from $639 million for Ames last year. The G. C. Murphy Co. contributed $375 million of these year-to-date sales.

For the month of November, combined sales soared 93% to $164 million, compared to $85 million for Ames in November 1984. Of the November 1985 sales, G. C. Murphy was responsible for $66 million.

Gilman said the full profitability of the merger can be realized once:

- Murphy's 2% net margin has been brought up to the 3.6% net margin of Ames;
- The 14% payroll/sales at Murphy's is trimmed to the 8%-8.5% of sales for payroll at a typical Ames stores; (That ratio should be reduced in large part by the increased sales, said Ralph Shulansky, chief financial officer at Ames.)
- Sales per square foot at Murphy's is brought up to the Ames store average of $112 last year. Gilman said he hopes Ames will end this year with sales of $120 per square foot, eventually bringing Murphy's up to this level.

Increased soft lines, particularly apparel, is planned for Murphy's stores during 1986. Murphy's currently splits soft lines/hard lines, 33/67. This will be replaced by the 45/55 soft lines/hard lines division at Ames. The mix at Murphy's should be in line with Ames by the middle of this year, according to Gilman.

None of the hard lines merchandise will be phased out at Murphy's, Gilman stressed. Instead, gondola space will be used for the hard lines merchandise to make more room for additional soft lines merchandise.

By Feb. 1, 1986, the 108 remaining Murphy's Marts will be under the Ames operating systems, according to Gilman. All buying for the discount operation will be done from the Rocky Hill, Conn., headquarters.

The 153 variety stores remaining (from a preacquisition 263) now run by former Murphy president and ceo Charles Lytle, are operated as a separate division, said Gilman, who indicated that more stores could be added to the variety chain depending upon its performance in the next year.

Clubs to Battle in N.Y. Area

NEW YORK — The battle among membership warehouses is due to reach the Metro New York Area and other East Coast markets this summer, with The Price Club and the BJ's Wholesale Club arm of Zayre the main contenders.

The Price Club, originators of the wholesale club concept, plans to open 110,000-sq.-ft. stores in the suburban New York markets of Smithtown, (Long Island) and East Rutherford, N.J., along with another unit in northeast Philadelphia.

The duo in metro New York are among an undisclosed number planned for that market, an executive said.

Price's planned entry into the New York market will come a half year after BJ's, which late last year unveiled a 100,000-sq.-ft. unit in East Rutherford, about a mile from the projected Price Club.

BJ's executives said additional warehouse clubs were planned for the New York area, including units on Long Island. BJ's this year is due to open stores in New Brunswick and Cherry Hill, N.J. The former is about midway between New York and Philadelphia and the latter is a suburb of the Pennsylvania city.

Price's current toehold on the East Coast is a unit in Richmond, Va., opened in the fall of 1983. Besides expanding to the Philadelphia and New York areas, Price is expected to open units in Baltimore, where PACE already has three membership warehouses.

At 110,000 sq. ft., the three Prices already set for this year will be slightly larger than the standard 100,000-sq.-ft. format. The additional footage is due to the greater inventory expected to be needed to maintain sales in the New York and Philadelphia areas, a source said.

(Continued on page 54)

Newborn Departments Debut

Infants and toddlers sections are being remerchandised into newborn, infants and toddlers departments at many discount chains this year. For a look at buyers' plans and results of a consumer study on young children's apparel, see the expanded Soft Lines section beginning on page 19.

Index

At The Source 40-41
Classified 50-52
Editorial Page 6
Manufacturer News 45
Stock Update 53
Tax Issues 17

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Vol. 25, No. 1 Jan. 6, 1986

SOFT LINES

Discounters Out in Front in Young Children's Apparel

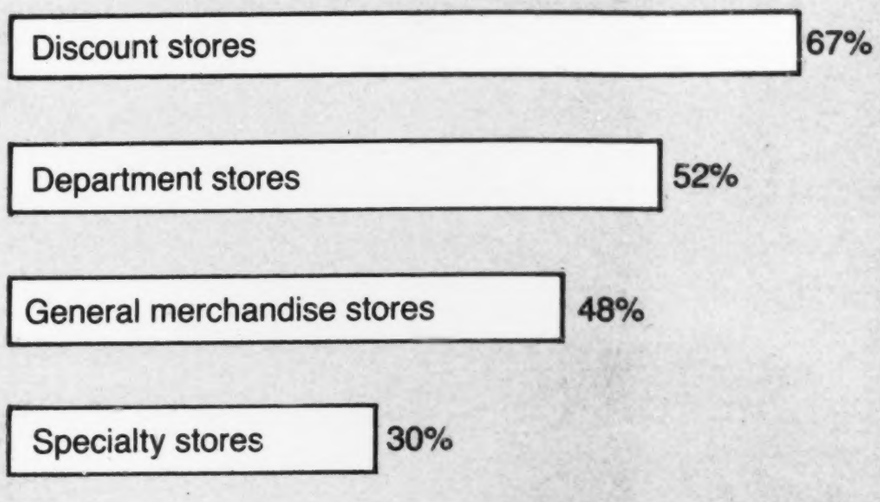
Discounters appear to have a firm grip on the young children's apparel business, according to a recent consumer poll conducted by *DSN* and Leo J. Shapiro & Associates.

A majority—67%—of those shoppers who had purchased clothing for children under age 6 during the past year said they had shopped for such items at discount department stores.

Consumers were also asked if they had shopped for young children's clothing at specialty stores, department stores or general merchandise stores such as Sears, Ward or Penney. Department stores and general merchandise chains were about equal with 52% and 48% of those polled having shopped them. Specialty stores came in last with only 30% of the consumers of small children's apparel choosing such outlets.

Those numbers clearly indicate that most people shop at more than one type of retailer for young children's clothing. However, proof of discounters' strength in the competitive business came up in shoppers' comments on how much they spent overall during the past year on young children's clothing and how much at each of the four types of retail outlets. Discounters snared 41% of the dollars spent on young children's wear among those polled. Sears, Ward and Penney took in 23% of the total annual amount the surveyed group said it spent.

Where Consumers Shop for Young Children's Clothes



Source: DSN/Leo J. Shapiro & Associates survey.

Other findings from the random national survey conducted last November included:

- Gifts for other people's kids accounted for 40% of the purchases made by those polled.
- About a third of those polled considered national brand names important in three categories: sleepers, overalls and underwear/undershirts.

Gold Circle's latest thinking in infants and toddlers will focus its toddlers dress business on three price points and revamp its signing program next year. Shown is Westerville, Ohio. *(DSN photo)*

- Although a greater portion of the specialty-shop shoppers generally prefer national brands, that did not hold true in the overalls category. The percentage of shoppers who look for brands in such items was about the same in discount stores and specialty stores.
- A demographic breakout showed that a larger portion (65%) of discount store children's wear shoppers were in the 20- to 39-year-old age group than at the other three types of outlets (43% at department stores, 42% at Sears, Ward and Penney, 36% at specialists).

Most findings support what discount chain buyers and merchandisers reported about

(Continued on page 23)

Shoppers Spend More at Discount Stores

Mean amount shoppers say they spent during the past year on young children's clothing at . . .	
Discount stores	$143
Department stores	$125
Sears, Ward, Penney	$123
Specialty stores	$ 86

Source: DSN/Leo J. Shapiro & Associates

Brands Consumers Say They Look for in Four Classifications

Sleepers		Overalls		Underwear		Knit Shirts	
1. Carters	21%	OshKosh	20%	Fruit of the Loom	14%	Health-tex	8%
2. Health-tex	8	Health-tex	6	Carters	14	Carters	6
3. Store brand	5	Levi	6	Hanes	7	Store brand	4
4. Winnie the Pooh*	3	Carters	5	Store brand	6	Izod	3
5. Dr. Denton	2	Store brand	4	Health-tex	5	Garanimals	2

*—Sears exclusive

Source: DSN/Leo J. Shapiro and Associates study

Importance of National Brand in Buying Decisions

	Sleepers	Coveralls	Undershirts/ Underwear	Knit Tops
Important (7 to 9)	33%	32%	33%	24%
Not Important (1)	25	29	28	29

Using a sale of 1 to 9, numbers reflect shoppers' feelings about the importance national brand names play in their buying decisions in four infants and toddlers' categories.

Source: DSN/Leo J. Shapiro & Associates survey.

Shoppers' Past-Year Purchases for Young Children by Type of Store

	Discounter	Sears, Ward, Penney	Department Store	Specialty Store
Clothing	26%	20%	33%	20%
Tops	21	17	11	10
Pants	17	7	9	4
Shoes	12	6	4	4
Underwear	9	9	9	4
Jeans and Overalls	8	7	3	—
Dresses	7	12	10	5
Nightwear or Pajamas	5	10	5	4
Coats	3	7	5	7
Other	11	13	5	11

Shoppers were asked to name what they bought at each type of store over the past year. (Some said clothing; others were more specific.)

Source: DSN/Leo J. Shapiro & Associates survey.

Newborn Apparel Potential High

(Continued from page 19)

most chains. As a result, the plans call for basic steps such as raising inventory levels and bettering presentation, rather than adjusting assortments or increasing fashion.

At K mart, for instance, newborn items will be represented to the customer as a separate category (away from infants sizes 6 to 24 months) for the first time this spring. Newborn signing will be added to existing infants and toddlers labels on the selling floor, said senior buyer D. E. Metz.

On the buying level, the chain started about six months ago to earmark a specific portion of the infants budget for the newborn classifications, he explained. As a result, the newborn area can now be recognized as a third to a quarter of the infant girls' assortment, for example.

Overall, Metz is expecting to see infants/toddlers gain 7% for 1986. That gain is slightly higher than the increase in '85 over '84, he estimates. An important part of K mart's plan to build the business is POS information that has been gathered only for about two years. With POS information and reports from its area merchandisers, Metz is pinpointing regions where the national chain can sell more sundresses and other such items. Already Metz is tracking success in two- and three-piece infants sets sold at a single retail, a business he thinks will grow in 1986.

Gold Circle, like K mart, is counting on a more dramatic presentation to help build its newborn business. A new signing program places a color-coded informational sign over every rack in the infants/toddlers' section, said Karin LaChey, toddler buyer.

Three colors are used—one for newborn, another for infants and a third for toddlers. The signing also lists the sizes included in each segment and the corresponding weight range of the baby to help parents buying for a first child and shoppers buying gifts.

In toddlers, LaChey reiterated that consumers demand fashion and durability at a price. Her approach to offering value in toddlers is to focus on pricing with narrow and deep assortments. For spring, she is building on a success of basic boxer cords from Stone and Garan turtle necks with similarly basic twill boxer pants and matching crew neck tops. In toddler dresses, that narrow and deep approach will keep the assortment limited to three price points this spring, compared to seven or eight a year ago for Easter, LaChey explained. With only three prices, the chain will switch to price instead of per cent-off ads in Easter circulars to make a stronger price statement to consumers, she added.

ALCO buyer Tom Smith is also concerned with strengthening his price stance in infants/toddlers this year. That chain's business was running about 6% ahead in '85 compared to '84. In previous years, Smith had seen gains in the 15% to 33% range; Smith attributed the slower growth to ALCO's farm belt stores plus increased competition with Wal-Mart and K mart.

His plans for sharpening price points in infants and toddlers include dropping coordinates in favor of two- and three-piece sets that sell at one price point and generate more sales.

Outerwear represents the best opportunity for pumping up the toddlers' sales at Pamida, according to Patricia Martin, buyer. Last year, a large chunk of her strong outerwear business came from a special buy from an importer. This fall, Martin is planning her own direct import program, including quilted looks and sweater-styled jackets.

SOFT LINES

Strong Sales Earn Basic Bedding Star Status

(Continued from page 19)

one of the few recognizable name brands in basic bedding, to be sold for $15.99 every day and $11.99 or $12.99 on sale.

At Jamesway, repackaging and new designing in the bed pillow area has already helped push sales up 25% over last year. Previously, said Draves, "we had a little bit of this and a little bit of that. We redesigned the packages for the entire line to show the customer a reason to buy the pillow, to make sense of the whole assortment."

The chain color coordinated the packages according to the type of pillow it held, with bold identification on the front as to fiber fill and advantages (i.e., washability, fluffiness, nonallergenic). Also, the pillows, priced from $3.99 for a basic promotional "Granny's Favorite" with traditional ticking to $12.99 for feather and down, have been redesigned with better fabrics and more colorful, updated prints, said Draves.

Jamesway also depends upon in-store signing that asks shoppers "Is your pillow lumpy?" to prompt impulse sales.

Some discounters are turning to stronger promotions this year of basic bedding. Bi-Mart, which sees over 50% margins on bedding every day and 31% margins on sale, will run a promotion at least once each quarter this year, as opposed to just during the two white sales, as was done last year, said buyer Jerry Storm.

Just recently, the chain ran its first full-page pillow promotion with strong results.

However, the chain is veering away from higher-end bedding items, which are less popular among its shoppers. In its 12-ft. pillow section, the chain carries nine sku's, including a promotional standard pillow at two for $4.99, a standard Dacron II ($4.99) and a standard and queen-sized Quallofil ($8.99). No feather pillows are offered because of lack of space.

The chain is replacing the single mattress pad it offered, a BedSack priced at $23.99, with a basic anchor band for $10.99 to $11.99. "You can't sell Cadillacs with a Chevy mentality," explained Storm.

Caldor, however, is one chain that has recently begun experimenting with higher-priced items, like a down pillow to sell at $29.99, although the chain continues to promote poly fills as low as $4. Caldor also promotes Quallofil pillows at least once a month. DuPont, which has already invested heavily to make Quallofil an important fiber to consumers, has added Stayfresh to the fill as an added selling point. Stayfresh is supposed to keep fill fresh and odor free longer.

Caldor also recently promoted a twin-sized wool mattress pad for $39.99, while most discounters surveyed said they are staying away from that steep a price point. The chain's regular assortment also features twin-sized pads ranging from $10 to $25, including basic nonwoven items, Serene Wrap cotton covers by Celanese Serene and BedSack.

Discounters Strong in Kids' Wear

(Continued from page 20)

their infants' and toddlers' business in general. The gift purchase business is seen as the driving force behind increasing sales of infants' clothing (see separate story).

Merchandisers also said brand names are important in basic categories like sleepers and underwear and less important in more fashion classifications like knit tops. That was held up in the consumer survey, which shows a 9% drop in those who consider a national brand name important for the knit top classification compared with underwear overalls.

The gift purchase business is seen as the driving force behind increasing sales of infants' clothing.

Most infants' and toddlers' buyers polled recently pointed out that brands are only one consideration in any shopper's purchase decision. Merchandisers say price is just as important—particularly in the toddler sizes. Some of the brands' chain merchandisers cited that are not listed in the accompanying charts include Lee and Rustler jeans for young children and basics from Stone, Curity and Dundee. Some chains are even testing Fisher Price—a name that is licensed to apparel manufacturers.

The random sampling included telephone calls to 450 consumers across the nation. One hundred and seventy-two, or 38%, purchased clothing for a child up to age 6 within a year of the interview.

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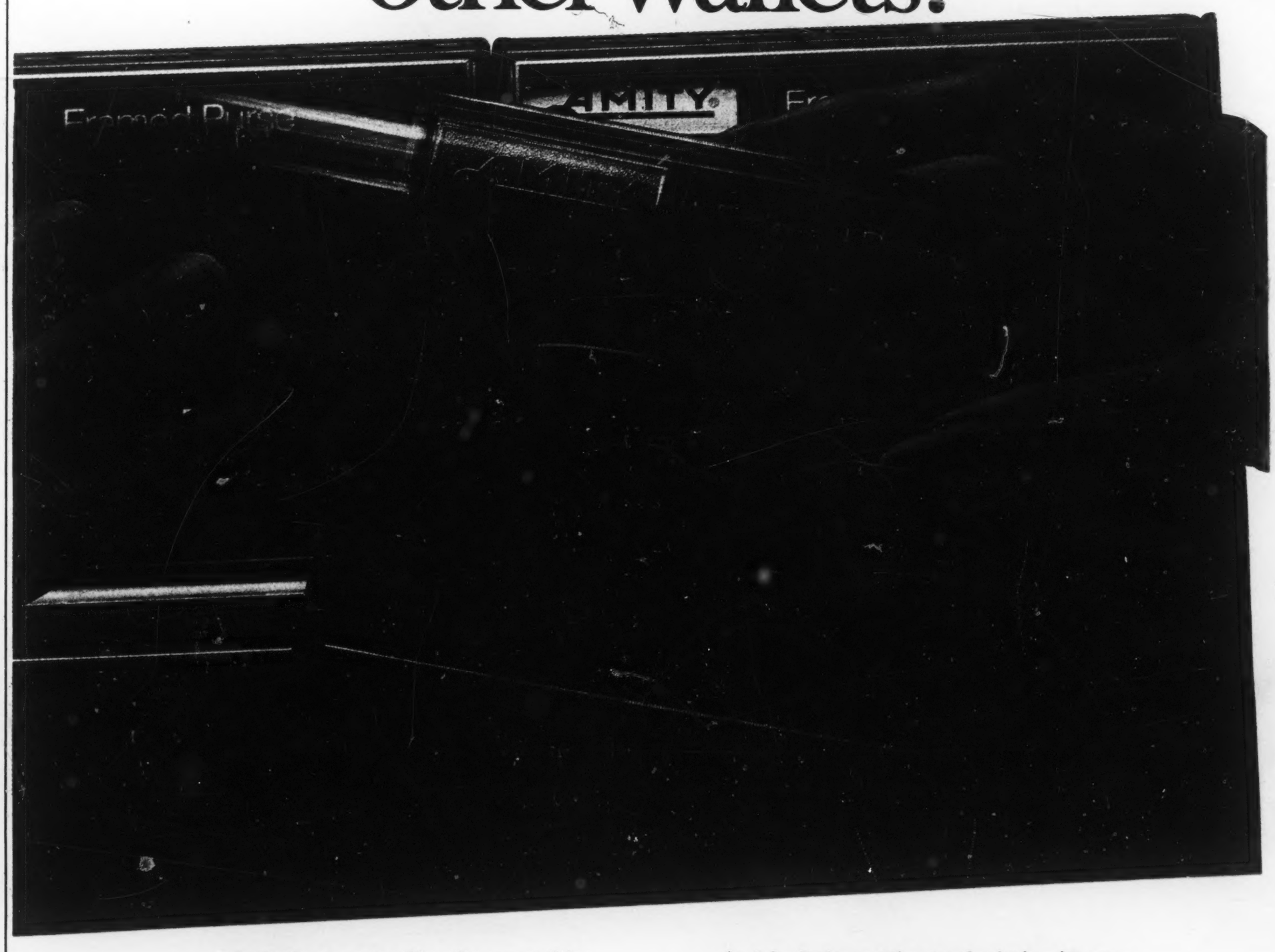

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